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March 18, 2004

BY HAND AND ELECTRONIC MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications
and Energy
1 South Station, 2nd Floor
Boston, MA 02110

Re: Western Massachusetts Electric Company – D.T.E. 03-34

Dear Secretary Cottrell:

Western Massachusetts Industrial Customers Group ("WMICG") files this letter as a reply to the Initial Briefs filed by Western Massachusetts Electric Company ("WMECo" or the "Company") and the Attorney General ("AG") on March 10, 2004 in this proceeding.

The transition reconciliation filing filed by WMECo for calendar year 2002 in this case demonstrates that transition charge revenues exceeded scheduled transition revenue requirements by $28.19 million. WMECo. Initial Brief at 6. Moreover, WMECo's witness, Mr. Cahoon, testified that transition charge revenue in 2003 exceeded scheduled transition revenue requirements by another $25 million. Id.

The magnitude of these over-collections imposed an unnecessary additional charge on ratepayers for the last two years. The average over-collection was approximately $0.0066 kWh.[1]

WMICG agrees that any over-collection of transition revenues must be applied first to transition costs that earn a return. However, if there are no longer any transition costs that earn a return, ratepayers should be compensated by WMECo for the prepayment of transition costs at the Company's cost of capital. The Company should not be supplied ratepayer prepayments without providing ratepayers with fair compensation.[2]

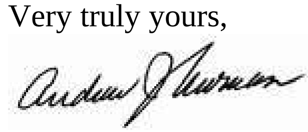
[1] $53,000,000 -:- 8,000,000,000 kWh.
[2] WMICG notes that at the same time the Company's reconciliation filing for generation supply requests $709,696 in cumulative interest standard offer under-collections for 2001, Ex. RAB-2, p. 1; and $335,402 in cumulative interest Default Service under-collections for 2001. Ex. RAB-4, p.1.

To avoid major over-collections in the future, WMICG requests that the Department review the Company's estimated sales and estimated transition costs in its annual rate change case. The annual rate change case is normally filed in late November to become effective for the next calendar year. While, the timing is compressed, this should not sanction or allow WMECo to bill customers for excessive levels of transition costs. The Company should be required to immediately notify the Department if its transition recovery varies by more than 5% from scheduled cost recovery. Apparently the Company has used sales to be recovered filed in its estimates for the 12 month period ending August 1997, even though sales have increased. See Ex. JRC-2 and compare with the actual billed sales. This severely understates actual sales and has contributed to the over-recovery of transition revenues.

The Department should approve a transition charge rate sufficient only to recover the estimated transition costs. A small cushion to satisfy the rate reduction bond covenants would be reasonable. However, it is not reasonable that WMECo's transition charges recovered in 2002 and 2003 transition revenues equal to almost twice its transition costs.[3]

In conclusion, WMICG requests that the Department order the Company to fairly compensate ratepayers for prepaid transition costs. In the future, the Department should only allow a transition charge rate equal to the estimated transition costs.

Very truly yours,



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AJN/lms

cc: Mr. Kevin Penders
Stephen H. Klionsky, Esq.
Alexander J. Cochis, Esq.
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[3] Transition costs for 2002 and 2003 totaled approximately $55 million and over-collections totaled $53 million.